

95th
ANNUAL REPORT
for the year ended April 30th, 1964

B.J. **COGHLIN** *CO. Limited*

and its wholly owned subsidiary companies

WAJAX EQUIPMENT LIMITED

WAJAX SERVICES LIMITED

and

BOULEVARD EQUIPMENT LIMITED

FINANCIAL FACTS IN BRIEF

	<u>1964</u>	<u>1963</u>	<u>1962</u>
Gross Profit from Sales and Rentals	\$2,280,910	\$1,722,302	\$1,600,834
Provision for Income Taxes	26,300	11,675	10,373
Net Profit	317,366	202,761	183,374
Net Profit per share	2.10	1.38	1.25
Depreciation	217,976	197,769	157,336
Total Assets	6,006,142	5,091,866	4,331,511
Working Capital	1,947,764	1,589,525	1,349,898
Shareholders' Equity per Share	12.43	10.55	8.72

B.J. **COGHLIN** *CO.* *Limited*

DIRECTORS	O. H. BARRETT, O.B.E.	HOWARD I. ROSS, C.A.
	R. W. CHORLTON	P. P. SAUNDERS
	S. H. DOBELL, D.S.O., C.A., LL.D.	H. GREVILLE SMITH, C.B.E.
	A. MONCEL	D. L. TORREY

OFFICERS	H. GREVILLE SMITH, <i>Chairman</i>
	R. W. CHORLTON, <i>President and Treasurer</i>
	O. H. BARRETT, <i>Vice-President</i>
	F. G. HARVEY, <i>Secretary</i>

BANKERS	BANK OF MONTREAL
REGISTRARS	NATIONAL TRUST COMPANY
TRANSFER AGENTS	THE ROYAL TRUST COMPANY
SOLICITORS	CHISHOLM, SMITH, DAVIS, ANGLIN, LAING, WELDON & COURTOIS
AUDITORS	GLENDINNING, CAMPBELL, JARRETT & DEVER

OFFICES AND PLANTS

B. J. COGHLIN CO. LIMITED

Head Office 6051 Cote de Liesse Road, Montreal 9, Que.

WAJAX EQUIPMENT LIMITED

Offices and Plants	6051 Cote de Liesse Road, Montreal 9, Que.	1030 West Sixth Ave., Vancouver, B.C.
	163 Wicksteed Ave., Toronto 17, Ont.	15802 - 111th Ave., Edmonton, Alta.
	2116 Scott St., Westboro, Ottawa, Ont.	

ANNUAL REPORT

**OF THE
DIRECTORS**

To the Shareholders:

Your Directors submit herewith the 95th Annual Report of your Company with the Consolidated Financial Statements of the Company and its subsidiaries, Wajax Equipment Limited, Wajax Services Limited and Boulevard Equipment Limited for the year ended April 30th, 1964, also showing comparative figures for the year ended April 30th, 1963.

Business conditions during the year have been generally good throughout Canada and your Company has had a year of satisfactory progress and achievement, with earnings at the highest level since 1958. Net profit amounted to \$317,366, equal to \$2.10 a share, compared with earnings in the last financial year of \$202,761, representing \$1.38 a share.

In the last quarter of the financial year under review, your Directors considered that the surplus and working capital had improved to the point where resumption of dividends could be considered. Accordingly a dividend of 7½¢ a share was paid in respect of the final quarter of the financial year, the first dividend since October 31st, 1958.

OPERATIONS

The last Annual Report referred to the reorganization of the principal operating subsidiary, Wajax Equipment Limited, to conduct its operations through three separate divisions: the Construction Equipment Division, the Forestry Equipment Division, and the Canadian Lift Truck Division. Each of these divisions carries out its specialized sales and service functions from the same Branch Offices established across Canada and it is encouraging to be able to report that each Division contributed towards the improved picture of earnings and each Branch Office operated at a profitable level.

The move into the new premises designed to house all your Company's Montreal Divisions and Head Office was completed in July 1963 and the direct costs of the move were absorbed as part of the operating expenses of the year. While the move had a disruptive effect for the first half of the financial year, normal working efficiency was attained by the second half of the year. The new premises represent a great improvement and will assist in the development of our business in the Province of Quebec.

The substantial growth of activity in the construction industry which took place throughout Canada in 1963 and is continuing in 1964, contributed to the progress of the Construction Equipment Division. The long-term trend toward rental and leasing of equipment rather than outright sales has continued. While this method of operation results in higher operating costs because of the larger staffs needed to service the equipment, and in increased working capital required for the larger inventories, nevertheless it is advantageous in that it acts to smooth out the heavy fluctuations of sales that had been a problem in the past.

Improved results from the Canadian Lift Truck Division have come in part from increased sales and in part from overhead savings and improved operating efficiency that resulted from the merger with Wajax Equipment Limited, as was forecast in last year's report. Price competition continues to be intensive in the materials handling equipment field.

The Forestry Equipment Division continued to expand its sales and, in addition, to develop new products, which it is felt will be of great assistance in maintaining sales volume in the coming years. The new premises in Montreal, which house the manufacturing and assembly function of this Division, have contributed largely to greater efficiency of operation.

For several years consideration has been given to ways and means of expanding the sales in the United States of products designed and manufactured by the Forestry Equipment Division. A detailed study of this problem indicated that the preferable method would be the acquisition of a United States business having products similar to those of the Forestry Equipment Division. Accordingly, in April 1964 your Directors approved a proposal to acquire, effective May 1st, 1964, the fixed assets, physical inventory and the name of the Pacific Pumper Division of the Pacific Marine Supply Company of Seattle, Washington. This company has been a leading manufacturer and supplier of portable fire-fighting pumps and related accessories to forest fire and shipboard fire control agencies in the United States and other countries for over forty years. A wholly-owned American subsidiary, known as Pacific Pumpers Inc., has been formed by your Company. Operations will continue in the present 16,000-square foot plant in Seattle which has been leased until December 31st, 1965, at which time it will be necessary to relocate. It is planned to continue to manufacture and sell the present Pacific Pumper lines, while at the same time adding those of Wajax design which appear best suited to the American market. It is expected that this acquisition will contribute to the growth and development of your Company in the intermediate and long term.

Selling and administrative expenses show a substantial increase over the previous year, but margins of profit have not only been maintained, but generally improved. Part of the expense increase is linked with the continued trend in the renting and leasing of equipment, and part to the continued general regional expansion. Also, as already noted, the cost of removal to the new plant on Cote de Liesse Road has been included in operating expenses for the year.

BALANCE SHEET

Inventories have increased from the previous years. These increases have again come about largely because of the previously noted continuing trend to rental and leasing of equipment, and also in part because of the acquisition of new lines. Accounts receivable show a substantial increase because of the general expansion of your Company's business.

The current bank loan was increased by \$250,000 during the year to assist in the financing of the expanded accounts receivable. The term loan was reduced by \$70,000 during the year.

Deferred income from continuing equipment rental stands at \$119,100 at the year-end, compared to \$53,945 for the previous year-end.

Working capital at April 30th, 1964 stood at \$1,947,764, sharply increased from \$1,589,525 in 1963, and \$1,349,898 in 1962.

Shareholders' equity has increased in the year to \$1,877,330, equivalent to a net asset value per share of \$12.43, as compared to \$10.55 and \$8.72 respectively for April 30th, 1963 and 1962.

FINANCIAL

Your Directors were pleased to be able to resume dividend payments following the further substantial improvement in working capital and surplus during the past year.

Gross profit from sales and rentals during the year, at \$2,280,910, showed an increase of 32%, and an operating profit of \$317,366, an increase of 56% over the figures for the preceding year. Higher interest charges reflect the larger current bank loans during the year.

It is to be noted that, as in the previous year, the liability for Income Taxes has been substantially reduced as a result of applying against the current year's taxable profits losses incurred in prior years. Under present tax regulations it is considered that the full effect of corporate tax rates will not be felt for several years. There remains a portion of prior years' losses which will be an offset to current and future earnings for Federal and Ontario tax liabilities and in addition the depreciation base of the rental fleet for tax purposes is substantially higher than that shown in the Balance Sheet.

It is the intention of your Directors to consider ways and means of further strengthening the financial resources of your Company in order to enable it to continue the growth pattern of the past few years.

OUTLOOK

Providing the general economy remains at the strong level of the past eighteen months, your Directors believe that the business outlook of your Company is encouraging. The organization and its facilities have been substantially strengthened and improved in recent years, and this should enable your Company to obtain a satisfactory share of the markets which it serves.

PERSONNEL

At the last Annual Meeting, Colonel G. M. Strong, D.S.O., retired from the Board after being a Director of the Company since 1954, and President of the Company for 1961/1962. The Shareholders expressed their appreciation of his long and distinguished service to the Company.

Shareholders will have noted that Mr. Howard I. Ross, Director of the Company since 1950, has been honoured by election as Chancellor of McGill University. Following his election, he advised his colleagues that in order to have adequate time for his important duties, he must reluctantly withdraw from the Board. Consequently, his name will not be submitted in nomination at the Annual General Meeting to be held on July 24th. On behalf of the Shareholders, we congratulate Mr. Ross on his election as Chancellor and express our great appreciation of the valuable services he has given to the Company for many years.

The Directors record their appreciation of the work of employees in all Divisions and Offices on behalf of the Company. Their devoted efforts did much to ease the problems of moving and consolidating operations in the new premises, while at the same time maintaining the high standards of service to customers.

On behalf of the Board.

H. GREVILLE SMITH,
Chairman.

R. W. CHORLTON,
President.

June 23rd, 1964.

Consolidated Balance Sheet AS AT**ASSETS**

CURRENT	1964	1963
Cash	\$ 171,989	\$ 116,789
Accounts receivable, less provision for doubtful accounts	1,879,068	1,285,486
Due from sale of certain fixed assets	—	270,000
Inventories, valued at the lower of cost or market	3,064,733	2,480,638
Prepaid expenses	34,186	49,832
	<u>\$5,149,976</u>	<u>\$4,202,745</u>
 RENTAL EQUIPMENT		
Cost	\$1,051,386	\$1,019,763
Accumulated depreciation	494,322	421,214
	<u>\$ 557,064</u>	<u>\$ 598,549</u>
 FIXED		
Land, buildings and equipment — at cost	\$ 639,901	\$ 611,274
Accumulated depreciation	340,799	320,702
	<u>\$ 299,102</u>	<u>\$ 290,572</u>

NOTES:

1. The term loan represents accommodation from the company's bankers, under an agreement including the extended terms indicated and with a provision that the loan is repayable on demand. The agreement states, however, that the bank will not, without cause or default on the part of the company, make such demand. \$2,500,000 General Mortgage Bonds of a subsidiary company have been pledged as additional security for the bank loans.
2. Options are outstanding to purchase 7,450 of the authorized but unissued shares of the company under the terms of Special By-Law M. During the year, options were exercised in respect to 4,300 shares which were issued for a total consideration of \$19,350.
3. The companies were contingently liable for \$453,781 as guarantors of discounted notes secured by conditional sales contracts.

<u>\$6,006,142</u>	<u>\$5,091,866</u>
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SIGNED ON BEHALF OF THE BOARD:

H. GREVILLE SMITH	} DIRECTORS
R. W. CHORLTON	

Auditors' Report

We have examined the consolidated balance sheet of B. J. Coghlin Co. Limited and subsidiary companies as at April 30th, 1964 and the consolidated statements of surplus and profit and loss for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence of the companies as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet with Notes

APRIL 30, 1964

LIABILITIES

CURRENT	1964	1963
Bank loan — secured	\$1,150,000	\$ 900,000
Accounts and notes payable and accrued liabilities (secured: 1964 — \$1,070,573; 1963 — \$691,366)	1,943,028	1,625,130
Taxes payable	109,184	88,090
	<u>\$3,202,212</u>	<u>\$2,613,220</u>
DEFERRED INCOME	\$ 119,100	\$ 53,945
TERM LOAN — SECURED (Note 1)		
Repayable \$70,000 per annum to 1967	\$ 877,500	\$ 947,500
Less: Amount included in current liabilities	70,000	70,000
	<u>\$ 807,500</u>	<u>\$ 877,500</u>
	<u>\$4,128,812</u>	<u>\$3,544,665</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Common shares of no par value		
Authorized: 223,000 shares		
Issued: 150,950 shares (Note 2)	\$1,298,616	\$1,279,266
(1963 — 146,650 shares)		
SURPLUS	578,714	267,935
	<u>\$1,877,330</u>	<u>\$1,547,201</u>
	<u>\$6,006,142</u>	<u>\$5,091,866</u>

the Shareholders

1 to 3 and related consolidated statements of surplus and profit and loss are properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of the companies as at April 30th, 1964, and the results of their combined operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GLENDINNING, CAMPBELL, JARRETT & DEVER,
Chartered Accountants, Auditors.

June 23rd, 1964.

Consolidated Statement of Profit and Loss

FOR THE YEAR ENDED APRIL 30, 1964

(With comparative figures for the year ended April 30, 1963)

	1964	1963
GROSS PROFIT FROM SALES AND RENTALS.....	\$2,280,910	\$1,722,302
SELLING AND ADMINISTRATIVE EXPENSES	1,807,387	1,422,397
PROFIT before interest and income taxes.....	\$ 473,523	\$ 299,905
INTEREST	129,857	85,469
	\$ 343,666	\$ 214,436
PROVISION FOR INCOME TAXES	26,300	11,675
NET OPERATING PROFIT	\$ 317,366	\$ 202,761

The following amounts have been charged in determining the operating results for the year:

Depreciation	\$ 217,976	\$ 197,769
Remuneration of executive officers and directors holding salaried positions	46,850	33,075
Other directors' fees	3,200	—
Legal fees	5,882	9,149

NOTE: Income taxes have been substantially reduced in both years as a result of applying to taxable profits losses incurred in prior years.

Consolidated Statement of Surplus

	1964	1963
BALANCE AT BEGINNING OF YEAR	\$ 267,935	\$ 149
Net operating profit	317,366	202,761
Net gain on disposal of fixed assets	4,734	65,025
	\$ 590,035	\$ 267,935
Dividends paid.....	11,321	—
BALANCE AT END OF YEAR	\$ 578,714	\$ 267,935

Some manufacturers represented by

WAJAX EQUIPMENT LIMITED

AGEPRODUKTER A. B.

AUSTIN-WESTERN PLANT OF BALDWIN-
LIMA-HAMILTON CORPORATION

BAUGHMAN MANUFACTURING CO. INC.

B. M. HEEDE, INC.

CARDINAL ENGINEERING CORPORATION

THE CHARLES MACHINE WORKS

C. H. & E. MANUFACTURING CO.

CLEMENTINA LIMITED

DOUGLAS MOTORS CORPORATION

ECONOMY ENGINEERING COMPANY

ESSICK MANUFACTURING COMPANY

GAR-BRO MANUFACTURING COMPANY

GERLINGER CARRIER COMPANY

HALE FIRE PUMP COMPANY

HAUCK MANUFACTURING COMPANY

INTERNATIONAL HARVESTER
COMPANY OF CANADA LIMITED

JACUZZI UNIVERSAL CANADA LIMITED

LANSING BAGNALL LIMITED

LIMA PLANT OF BALDWIN-LIMA-
HAMILTON CORPORATION

LULL ENGINEERING COMPANY, INC.

MALSBARY MANUFACTURING COMPANY

MASTER VIBRATOR CO.

MIDLAND PRODUCTS COMPANY

MORGEN MANUFACTURING COMPANY

PRIME MOVER COMPANY

ROTAX-WERK AG.

SASGEN DERRICK COMPANY


TARGET EASTERN CORPORATION

TOWMOTOR CORPORATION

UNIVERSAL ROAD MACHINERY CO.

VULCAN IRON WORKS

WAYNE MANUFACTURING CO.



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